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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 007116

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SUBJECT: A/S SHANNON MEETS WITH VFM YANG JIECHI ON LATIN AMERICA

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Classified By: Political Minister Counselor Daniel Shields. Reasons 1.4 (b/d)

Summary

1. (C) Vice Foreign Minister Yang Jiechi told A/S Shannon and the Ambassador that A/S Shannon's visit and the launching of the U.S.-China Subdialogue on Latin America under the U.S. China Senior/Strategic Dialogue have a special significance in the lead-up to President Hu Jintao's visit to the United States. China's rapidly developing relationship with Latin America will not undermine the interests of any third party, including the United States. China-Latin America cooperation can help promote regional security and stability. A/S Shannon's visit and the launching of the Subdialogue will create opportunities for mutual cooperation on Latin America, including in multilateral fora. A/S Shannon said, the United States and China share an interest in promoting economic development and political stability in Latin America to help enable countries in the region to address social problems and reduce poverty. End Summary.

Latin American Subdialogue Under Senior/Strategic Dialogue

2. (C) Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon and the Ambassador met on April 14 with Vice Foreign Minister Yang Jiechi, who said A/S Shannon's visit and the launching of the U.S.-China Subdialogue (septels) on Latin America under the U.S. China Senior/Strategic Dialogue have a special significance in the lead-up to President Hu Jintao's visit to the United States. The subdialogue discussions will be helpful as President Bush and President Hu prepare to discuss various areas where the United States and China can cooperate more, such as counterterrorism, nonproliferation and energy. China realizes the United States has extensive and deep links with Latin America. China will handle properly its own rapidly developing relationship with Latin America and will not undermine the interests of

any third party, including the United States.

13. (C) A/S Shannon conveyed greetings from Secretary Rice and Deputy Secretary Zoellick. He noted that this is a very important moment in U.S.-China relations and the right time to start our Subdialogue on Latin America. Now is the time for both sides to seek out common interests and shared goals, creating the basis for mutual understanding.

China-Latin America Relations

14. (C) VFM Yang said the current positive state of China-Latin America relations is the result of the need on both sides for economic development in the context of globalization. The relationship can also be seen as a manifestation of South-South cooperation. VFM Yang thanked the United States for supporting China's observer status in the Organization of American States (OAS). The United States, China and several Latin American countries already jointly participate in multilateral forums, such as APEC and the G-8 dialogue with major developing countries. U.S.-China-Latin America cooperation, including multilaterally, can help to address a number of traditional and nontraditional security threats, such as terrorism and drug trafficking, and in the process can help promote regional security and stability.

15. (C) VFM Yang noted that China and Latin America face similar development challenges, including increasing domestic consumer demand so economic growth depends less on exports. He noted that U.S. and EU investment in Latin America far outstrips China's investment in the region. China is attempting to

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adopt a comprehensive and realistic approach to global issues and hopes that its investments in Latin America will help create local jobs and thereby enhance regional prosperity and stability. Naturally, some of China's investment is also intended to secure much-needed raw materials, he said.

U.S. Pleased that China Seeks Multilateral Engagement

16. (C) A/S Shannon welcomed VFM Yang's statement that China's engagement in Latin America is not only bilateral but also multilateral. This reflects an understanding of political developments in the region, because Latin America is not only increasingly integrating itself but is also using a number of multilateral forums to reach out to the world. U.S. regional policy focuses on strengthening these trends to help Latin America engage the world and to prosper. Trade is an important part of the process. The United States respects and welcomes China's participation in trade with Latin America.

17. (C) A/S Shannonsaid the United States appreciates China's commitment to dialogue in the region and with the United States. The United States is committed to working with Latin America in support of the regional consensus for democracy, free trade and economic integration. The United States and China share an interest in promoting economic development and political stability in Latin America to help enable countries in the region address social problems and reduce poverty.

China will Handle Properly Relations with Latin America

¶8. (C) VFM Yang said social stability is a precondition for economic growth, adding that a vibrant economy can help create social stability. Like China, Latin America in the 21st century faces challenges as well as opportunities. China is confident that Latin America will find its own way forward. He reiterated that China is handling its relations with Latin America properly and fully in accordance with international norms.

¶9. (U) The Delegation has cleared this cable.
RANDT